

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2015-107-01069R

Parcel No. 8947-08-301-013

Eldon & Regina Roth,

Appellants,

vs.

Sioux City Board of Review,

Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on August 10, 2016. Gary Nichols, Tax Manager with BPI Technology and Natalie Bass, Tax Accountant with BPI Technology represented Eldon and Regina Roth. Attorney Jack Faith represented the Board of Review. The Board of Review participated in the hearing by telephone.

Eldon and Regina Roth are the owners of a residential two-story, brick home located at 3915 Martins Yard Street, Sioux City, Iowa. The home is custom built with approximately 11,000 to 12,000 square feet of above-grade living area, and a full basement with roughly 2400 square feet of high quality finish. It also has an approximately 1750 square-foot attached garage. The site is 45.533 acres. (Ex. 1 & Property Record Card).

The property's January 1, 2015, assessment was \$1,442,700, allocated as \$160,300 in land value and \$1,282,400 in improvement value. The Roths' protest to the Board of Review claimed the property was assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(1)(b). The Board of Review denied the petition. The Roths then appealed to PAAB.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2015). PAAB is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB considers only those grounds presented to or considered by the Board of Review, but determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. §§ 441.37A(1)(a-b). New or additional evidence may be introduced, and PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); see also *Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.*

The sales comparison method is the preferred method for valuing property under Iowa law. *Compiano v. Polk Cnty. Bd. of Review*, 771 N.W.2d 392, 398 (Iowa 2009); *Soifer*, 759 N.W.2d at 779; *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W. 2d 594, 597 (Iowa 1990). “[A]lternative methods to the comparable sales approach to valuation of property cannot be used when adequate evidence of comparable sales is available to readily establish market value by that method.” *Compiano*, 771 N.W.2d at 398. (emphasis added). However, where the market value of the property cannot be *readily* established using comparable sales, one can turn to other factors to determine the value. § 441.21(1)(b) (emphasis added); *Soifer*, 759 N.W.2d at 779.

The first step in this process is determining if comparable sales exist. *Soifer*, 759 N.W. 2d at 783. “Whether other property is sufficiently similar and its sale sufficiently

normal to be considered on the question of value is left to the sound discretion of the trial court.” *Id.* at 782 (citing *Bartlett & Co. Grain Co. v. Bd. of Review of Sioux City*, 253 N.W.2d 86,88 (Iowa 1977)).

A. Overassessment Claim

i. Applicable Law

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(1)(b), the taxpayer must show: 1) the assessment is excessive and 2) the subject property’s correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). If PAAB determines the Roths have established the grounds for their protest, then PAAB must make an independent determination of the property’s correct value based on all of the evidence. *Compiano*, 771 N.W.2d at 397 (citations omitted).

ii. Findings of Fact

Gary Nichols, Tax Manager with BPI Technology, testified on behalf of the Roths. Nichols asserts the subject property is over assessed based on a Restricted Appraisal completed by Edward Collins, Tri-State Valuation and Consulting, Sioux City, Iowa. A Restricted Appraisal is for the client use only; in this case, Eldon and Regina Roth. “When the intended users include parties other than the client, an Appraisal Report must be provided.” THE APPRAISAL FOUNDATION, UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE U-21, In. 659-660 (2014-2015). The essential difference between these two options is in the content and level of information provided. *Id.* at In. 662-63.

Collins concluded a fair market value for the subject property of \$1,000,000, as of January 1, 2015. He relied solely on the sales comparison approach. (Ex. 1). Based on Collins’ appraisal, the Roths believe the correct valuation of the property is \$1,000,000.

The Collins appraisal identifies the subject property as being in average to good condition and includes interior photographs that support this opinion. Based on the

photographs, we note the home appears to be of good quality, albeit original in décor. (Ex.1, pp. 1-6). Collins reports the subject property is an over-improvement (super adequacy) because of its high quality construction and finishing materials such as mahogany, marble, and brick flooring. It has seven geo-thermal heating/cooling systems, and two master bedroom suites. Collins submitted a copy of a listing of the subject property that identifies the features throughout the home. (Ex. 1, p. 12).

Collins concluded the main and second level of the property had a gross living area (GLA) of 11,157. (Ex. 1, p. 13). He uses this GLA in his sales comparison analysis. However, the property also includes a “large third floor ballroom” (Ex. 1, p. 7) that he does not account for in his analysis.

Collins notes there was limited sales data available in the upper price range of Sioux City due to limited supply. The following chart summarizes the three comparable properties in his sales comparison analysis. (Ex. 1, p. 7).

Address	Sale Price	Sale Date	Gross Living Area (GLA)	SP/SF	Adjusted SP
1 - 3710 Martins Yard	\$585,000	Jun-14	3713	\$157.55	\$1,073,200
2 - 22807 C 80	\$675,000	May-14	3265	\$206.74	\$1,167,600
3 - 33343 South Ridge Rd	\$535,000	Oct-13	5425	\$98.62	\$892,600

The subject has a 45-acre site compared to Sale 1, which has a site just under one-acre and Sales 2 and 3 that have 24- to 20-acre sites respectively. Adjustments for this element of comparison range from \$60,000 to \$120,000. The comparable properties are a third to half the size of the subject property, resulting in GLA adjustments between roughly \$290,000 to over \$400,000. The GLA line adjustments are in excess of 50-60% of the sales prices of the comparable properties. Moreover, the gross and net adjustments are all in excess of 70% and as high as 92%. (Ex. 1, p. 7). These large adjustments may decrease the reliability of the conclusions. APPRAISAL INSTITUTE, APPRAISING RESIDENTIAL PROPERTIES 375 (4th ed. 2007) (“If the adjustment made to the sales prices of properties considered comparable are too large or too numerous, then the margin of error is broad and accuracy is diminished.”).

The Board of Review submitted a “2015 Residential Comparable worksheet” that listed five sales from 2013 to 2014. The following chart is a summary of the sales.

Address	Sale Date	Sale Price	Gross Living Area (GLA)	SP/SF
1 - 730 Buckwalter Dr	Aug-13	\$540,000	4076	\$132.48
2 - 40-0 W 40th St	Dec-14	\$815,000	5082	\$160.37
3 - 6551 Kingsbarn Ct	Jan-14	\$560,000	3087	\$181.41
4 - 450-8 Stoneridge Pt	May-13	\$730,000	2809	\$259.88
5 - 3710 Martins Yard	Jun-14	\$585,000	3680	\$158.97

The unadjusted sale prices per-square-foot indicate a value for the subject between roughly \$2,000,000 and \$2,270,000. No additional information was provided about these properties and we are unable to evaluate their comparability with the subject. Nonetheless, like the sales Collins considered, these sales would facially appear to require significant adjustments to make them comparable to the subject.

The property’s assessment was set based on a cost approach to value. (Property Record Card). The Assessor determined a land value of \$160,300 for the subject’s 45.533-acres based on a land table with diminishing rates. Upon our review of the Assessor’s cost approach to value the improvements, we find it was completed based on the pricing schedules included in the IOWA REAL PROPERTY APPRAISAL MANUAL, which the Assessor is required to follow. § 441.21(2); IOWA DEP’T OF REVENUE, IOWA REAL PROPERTY APPRAISAL MANUAL (2008), available at <https://tax.iowa.gov/iowa-real-property-appraisal-manual>. The Assessor arrived at an improvement value of \$1,282,400, after applying 14% depreciation and a negative 20% obsolescence adjustment because the subject is overbuilt. We also note the cost approach includes the third floor finished area. The resulting total value of \$1,422,700 is consistent with the subject’s August 2009 sales price.

iii. Analysis

Collins’ appraisal indicates the subject property is over assessed and the subject’s approximate fair market value is \$1,000,000. Because Collins’ chose to develop a Restricted Appraisal, we note the appraisal lacks important descriptions

about the market area, potential purchasers of a property like the subject, and his narrative analysis explaining his rationale for the selection of comparable properties and necessary adjustments.

The Board of Review is critical of the appraisal and asserts the property sales Collins selected are not comparable to the subject as demonstrated by the very large adjustments Collins made in his sales comparison approach. The Board of Review also believes that Collins failed to sufficiently account for the subject's quality of construction.

We recognize the property's unique size and amenities may result in a reduced pool of potential buyers that could impact its value and, at the same time, may present problems in identifying comparable property sales to estimate its value. We agree with the Board of Review that the properties Collins selected for comparison lack substantial similarities with the subject property and thus necessitated significant adjustments. In addition, the sales included in the Board of Review's "2015 Residential Comparable worksheet" indicate a similar lack of comparability. From these facts, we surmise there is a lack of sales of truly comparable properties in Sioux City. Given this and the fact that Collins stated there are limited comparable sales in Sioux City, we question why he, and the Board of Review, appears to have limited the search for comparable sales to Sioux City. The lack of comparable property sales would seem to necessitate expanding the search outside the city limits. At a minimum, the lack of comparability of the sales, the large adjustments required to make them comparable, and the appraisal's lack of description gives us pause in *exclusively* relying on Collins' sales comparison approach to determine the subject property's fair market value.


Accordingly, on the record presented here, we find that the subject's fair market value cannot be readily established by the sales comparison approach alone. We consider Collins' sales comparison approach in conjunction with the Assessor's cost approach to value. The cost approach was completed in a manner consistent with the IOWA REAL PROPERTY APPRAISAL MANUAL. Adjustments were made to account for depreciation and obsolescence, resulting in a total value of \$1,442,700. Giving equal weight to each approach, the subject's fair market value is approximately \$1,221,350.

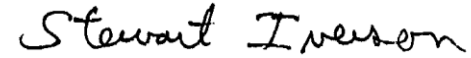
Taken together, the approaches indicate the subject is assessed in excess of its fair market value.

Order

Having concluded that the Roths demonstrated their property is over assessed, PAAB ORDERS that the Sioux City Board of Review's action is modified to \$1,221,350.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2015). Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action. Any judicial action challenging this Order shall be filed in the district court where the property is located within 20 days of the date of this Order and comply with the requirements of Iowa Code sections 441.38; 441.38B, 441.39; and Chapter 17A.


Karen Oberman, Board Member


Stewart Iverson, Board Chair

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